

Message Text

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PAGE 01 STATE 194231
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FM SECSTATE WASHDC
TO AMEMBASSY KHARTOUM
INFO AMEMBASSY JIDDA
AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 194231

E.O. 11652: GDS

TAGS: EFIN, EAID, SU

SUBJECT: CALL BY SUDANESE MINFIN OSMAN HASHIM
REF: KHARTOUM 3251

1. ON JULY 25 SUDANESE MINFIN OSMAN HASHIM ACCOMPANIED BY AMBASSADOR EISSA CALLED ON DAS HARROP TO DISCUSS SUDANESE FINANCIAL SITUATION. DAS HORMATS, JOHNSON AND OTHER DEPTOFFS PARTICIPATED IN MEETING. MINFIN INTRODUCED SUBJECT OF FINANCIAL SITUATION BY ALLUDING TO NECESSITY FOR SUDANESE ECONOMIC STABILITY IN ORDER TO PERMIT NIMEIRI TO PLAY "SPECIAL ROLE" IN BOTH ARAB AND AFRICAN WORLD. HE NOTED THAT DESPITE AUSTERITY MEASURES RECENTLY IMPOSED BY IMF, SUDAN DETERMINED TO PURSUE DEVELOPMENT ALONG LINES OF "BREADBASKET OF ARAB AND AFRICAN WORLD" PHILOSOPHY. MINFIN CLAIMED THAT AS SUDAN IMPLEMENTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 194231

STABILIZATION PROGRAM CONTENDING WITH PROBLEMS OF DEVALUATION AND INFLATION, SUDAN GOVERNMENT WILL PLACE SPECIAL EMPHASIS OVER THE NEXT TWO YEARS ON MONITORING OLD PROJECTS" WHILE CLOSELY EXAMINING ALL NEW PROJECTS.

2. CONSULTATIVE GROUP (CG): MINFIN SAID THAT THE PRIMARY PURPOSE FOR HIS VISIT TO THE U.S. WAS TO DISCUSS

WITH THE WORLD BANK THE TIMING OF ESTABLISHING CG UNDER BANK AUSPICES TO COORDINATE DEVELOPMENT ASSISTANCE TO

SUDAN. HE NOTED THAT HE HAD CONTACTED THE KUWAITI AND SAUDI MINFINS, AND WOULD BE MEETING WITH THE MINFIN OF UAE, ON THE SUBJECT OF BALANCE OF PAYMENTS (BOP) AND DEVELOPMENT ASSISTANCE FOR SUDAN. ALL INDICATIONS ARE THAT ARABS ARE PREPARED TO PROVIDE SUPPORT TO CG ON SUDAN. THE PRINCIPAL DIFFERENCE AT THIS JUNCTURE IS ON TIMING OF THE CREATION OF THE CG. MINFIN IS PRESSING FOR THE ESTABLISHMENT OF CG BEFORE END OF 1978. THE BANK CONTENDS THAT CG COULD NOT BE CREATED UNTIL 1979. MINFIN EXPRESSED FEAR THAT IF CG WERE NOT CREATED BEFORE BEGINNING OF SUDAN FISCAL YEAR (JULY 1) THIS WOULD IMPOSE CONSIDERABLE DIFFICULTIES FOR SUDAN'S DEVELOPMENT PLANNING.

3. BALANCE OF PAYMENTS: HASHIM NOTED THAT, THUS FAR, CONCRETE BOP SUPPORT FROM SUDAN'S TRADITIONAL SUPPORTERS FOLLOWING JUNE IMF AGREEMENT HAS BEEN "DISAPPOINTING." HE CONFIRMED THAT SAUDIS HAD AGREED TO RESCHEDULE DEBTS AND HOPED THAT OTHER ARAB CREDITORS WOULD FOLLOW SUIT. MINFIN DID NOT GIVE ANY INDICATION OF TYPE AND LEVEL OF ASSISTANCE COMMITMENT WHICH SUDAN HAS RECEIVED FROM FOREIGN DONORS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 194231

4. U.S. ASSISTANCE: HASHIM SAID ARAB SUPPORTERS WERE INTERESTED TO KNOW WHAT ASSISTANCE USG WOULD PROVIDE SUDAN TO OVERCOME BOP PROBLEMS. HE NOTED THAT U.S. FOOD AID WAS OF PARTICULAR BENEFIT TO SUDAN AND THAT HE HOPED THAT WE WOULD EXPAND PL-480 ASSISTANCE IN THE COMING YEAR. AMBASSADOR EISSA MENTIONED SPECIFICALLY THE SUDANESE REQUEST TO CCC FOR 100,000 TONS OF WHEAT. IN RESPONSE TO HIS QUESTION, MINFIN WAS TOLD THAT OTHER COMMODITIES PROVIDED UNDER PL-480 INCLUDED RICE, TOBACCO, MAIZE, VEGETABLE OIL AND MILK. HE WAS INFORMED THE USG IS CURRENTLY REVIEWING FY 79 PL-480 LEVEL AND WOULD TAKE INTO ACCOUNT SUDANESE INTEREST IN CCC WHEAT. MINFIN MENTIONED THAT CURRENT PRESSING NEED OF SUDAN WAS RESTORING PRODUCTION LEVELS OF SUDAN'S INDUSTRIAL FACILITIES, WHICH HE CLAIMED WERE OPERATING AT ONLY 40 PERCENT EFFICIENCY AT BEST. HE ATTRIBUTED PROBLEMS TO SHORTAGE OF FUEL, LACK OF SPARE PARTS FOR MACHINERY AND INADEQUATE TRANSPORT. HE SAID THAT PARTICULAR NEED, BEYOND REQUIREMENT FOR SPARE PARTS, WAS FOR MANAGEMENT SERVICES IN BOTH INDUSTRIAL AND TRANSPORTATION SECTOR. MINFIN NOTED THAT U.S. PRIVATE SECTOR WOULD PLAY MAJOR ROLE IN DEVELOPMENT OF SUDANESE AGRICULTURAL POTENTIAL,

AND EXPRESSED PARTICULAR GRATIFICATION AT THE ACTIVITIES
OF THE SUDAN-US BUSINESS COUNCIL.

5. EXIM: IN REVIEWING ROLE OF U.S. PRIVATE SECTOR IN
SUDAN MINFIN PLACED PARTICULAR EMPHASIS ON UNRESPONSIVE
ATTITUDE OF EXIM TOWARD FINANCING OF U.S. EQUIPMENT FOR
SUDAN. HE SAID THAT EXIM DEMANDED PRIORITY TREATMENT
FOR PAYMENT OF ARREARS AND YET DEMONSTRATED A CONTINUING
UNSYMPATHETIC ATTITUDE TOWARD SUDAN. HE CLAIMED THIS
WAS IN GLARING CONTRAST TO BOTH OTHER WESTERN GOVERNMENT
BANKS AND U.S. COMMERCIAL BANKS (CITING CITIBANK AND
CHASE). HE SAID EXIM'S ATTITUDE TOWARDS SUDAN WAS AT
APPARENT DIVERGENCE WITH OFFICIAL USG POLICY TO IMPROVE
BILATERAL RELATIONS. AMBASSADOR EISSA ADDED THAT WILTON
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CONFIDENTIAL

PAGE 04 STATE 194231

SCOTT, CHAIRMAN OF U.S. SIDE OF BUSINESS COUNCIL HAD
EXPRESSED PARTICULAR DISSATISFACTION WITH EXIM'S ATTITUDE
AND THAT U.S. EXPORTERS WERE SEEKING WAYS TO AVOID
HAVING TO DEAL WITH EXIM BECAUSE OF ITS UNHELPFUL
ATTITUDE. DAS HARROP AND HORMATS SAID THEY WERE CONFIDENT
EXIM WAS NOT "NEGATIVE" TOWARD SUDAN. HOWEVER,
EXIM HAD A FIRM POLICY TOWARD ARREARAGES. STATE WOULD
DISCUSS SUDAN WITH EXIM TO SEEK A SOLUTION TO THE
PROBLEM, BUT THE SUDAN GOVERNMENT WOULD HAVE TO DEMONSTRATE
ITS WILLINGNESS TO REDRESS THE ARREARAGE SITUATION. HASHIM
APPEARED TO ACKNOWLEDGE THIS POINT.

6. DAS HARROP AND HORMATS URGED HASHIM TO TAKE THE
OPPORTUNITY OF THIS VISIT TO MEET WITH SENIOR TREASURY
OFFICIALS TO DISCUSS SUDAN'S FINANCIAL SITUATION.
DEPTOFFS OFFERED ASSISTANCE IN ARRANGING SUCH APPOINTMENTS
AND AT AMBASSADOR EISSA'S REQUEST PROVIDED NAMES
OF CONGRESSMEN WHO MIGHT BE INTERESTED IN DISCUSSING
SUDAN'S FINANCIAL SITUATION WITH HASHIM. VANCE

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